

Department of Legislative Services

Maryland General Assembly 2025 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

House Bill 33

(Chair, Health and Government Operations Committee)(By Request - Departmental - Service and Civic Innovation)

Health and Government Operations and Appropriations

Education, Energy, and the Environment

Department of Service and Civic Innovation - Maryland Corps Program Service Year Option Pathways - Revisions

This departmental bill (1) alters provisions regarding reimbursement of Maryland Corps participants; (2) changes eligibility requirements for participants in the Maryland Corps Program; (3) expands the Department of Service and Civic Innovation's (DSCI) flexibility in using Maryland Corps funds; (4) repeals the obsolete Executive Fellows Program within DSCI; and (5) makes other clarifying and conforming changes to DSCI's statutory authority and responsibilities. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Potential significant decrease in general fund revenues and offsetting decrease in general fund expenditures due to fund transfers and diminished reversions, as discussed below. Potential minimal increase in special fund expenditures for Maryland Corps participants' stipends, but only to the extent that local minimum wage rates exceed the State minimum wage in the future.

Local Effect: None.

Small Business Effect: DSCI has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary/Current Law:

Maryland Corps Program Reimbursements

The Maryland Corps Program was established by Chapter 654 of 2016 and substantially restructured by Chapter 37 of 2022, but it received no funding and, thus, was not operational through fiscal 2022. Chapter 99 of 2023 again restructured the program, placing it within the jurisdiction of DSCI and establishing two pathways: the Young Adult (YA) Service Year Option pathway and corresponding special fund and the Maryland Service Year (MSY) Option pathway and corresponding special fund. Although the two pathways share some features, they have slightly different purposes and eligibility requirements.

Under current law, participants in both pathways must be paid at least \$15 per hour or the State minimum wage, whichever is greater. Upon completion of at least nine months of service in either pathway, participants also earn a completion award of \$6,000, payable either in cash or as a deposit into a tax-exempt Maryland 529 account for higher education expenses.

The bill specifies that participants must be paid at least the applicable *county or State* minimum wage (whichever is greater) and repeals authorization for the completion award to be deposited in a Maryland 529 account (making it payable only in cash).

Maryland Corps Eligibility Requirements

Under current law, applicants for the YA pathway must be Maryland residents and within three years of graduation from high school or having obtained a similar level of education completion, as specified. *The bill* repeals the requirement that applicants be within three years of graduation from high school (but still requires a high school diploma or comparable education attainment) and adds a requirement that applicants must be at least age 18 and younger than age 25 at the start of their participation in the YA pathway.

Under current law, applicants to the MSY pathway must be interested in performing public and community service in the State. DSCI must prioritize for participation in the MSY pathway applicants who are Maryland residents and historically underrepresented in higher education and employment, as specified. *The bill* repeals the requirement that applicants be interested in performing public and community service in the State and adds requirements that they be Maryland residents and at least age 18 at the start of their participation in the MSY pathway (and makes conforming changes).

Pathway Funds

Under current law, the MSY Pathway Fund began receiving mandated appropriations in fiscal 2024, with appropriations of \$15 million mandated for fiscal 2026 and \$20 million mandated for each year beginning in fiscal 2027. Beginning in fiscal 2027, any unspent funds in either fund revert to the general fund. The YA Pathway Fund does not receive any mandated appropriation. With respect to stipends for participants, money in each fund may be used to pay stipends only for participants in the corresponding pathway. *The bill* allows money in both funds to be used to pay stipends for participants in either pathway.

Department of Service and Civic Innovation

DSCI was established as a principal department in the Executive Branch in January 2023 by Executive Order 01.01.2023.02. The executive order established the purpose of the department to be promoting service and volunteerism in the State and assigned the department eight responsibilities, including promoting the use of volunteers in State and local government, businesses, and nonprofit entities. It also transferred all employees of the Maryland Corps Program and the Governor's Office of Service and Volunteerism to the new department. DSCI was codified in statute by Chapter 99.

The bill repeals the Executive Fellows Program within DSCI and renames the Governor's Volunteer Council as the Governor's Commission on Service and Volunteerism.

Background: DSCI advises that the Executive Fellows Program – initially created to provide opportunities for private-sector employees to transition to public-sector employment with the State – was never funded, staffed, or implemented. Similarly, the duties of the Governor's Volunteer Council, originally created in 1983, were transferred to the Governor's Commission on Service and Volunteerism in 1994; the council no longer exists.

DSCI further advises that the Maryland 529 plan does not allow third parties to deposit funds into a 529 account, so direct deposit of the completion award into a 529 account is not possible. However, the Maryland Corps Program does make participants aware of the benefits of 529 accounts.

Finally, DSCI seeks greater flexibility to use funds across pathways. As the MSY Pathway Fund receives mandated annual funding, its fund balance is growing faster than that of the YA Pathway Fund.

State Fiscal Effect: Chapter 99 requires that, beginning in fiscal 2027, any unspent funds in either the YA Pathway Fund or MSY Pathway Fund revert to the general fund. As the MSY Pathway Fund receives a mandated appropriation, required to increase to \$20 million

beginning in fiscal 2027, it is anticipated that unspent funds will be greater in that fund and that significant reversions will begin in fiscal 2027. The fiscal and policy note for Chapter 99 (Senate Bill 551 of 2023) anticipated that the MSY Pathway Fund would accumulate a substantial fund balance in the intervening years because the mandated appropriation would far exceed the payments to participants in the initial years of the program. Thus, the fiscal and policy note anticipated a reversion of more than \$36 million from the MSY Pathway Fund in fiscal 2027 and a reversion of \$2 million (all the residual fund balance) from the YA Pathway Fund. In fiscal 2028, it anticipated a reversion of \$8 million from the MSY Pathway Fund and no reversion from the YA Pathway Fund.

To the extent that the special fund balance in the MSY Pathway Fund can be used to cover expenses in the YA Pathway Fund, general fund expenditures decrease beginning as early as fiscal 2027 because fewer general funds are needed to cover ongoing costs for the YA pathway. Also, general fund revenues likely decrease by corresponding amounts beginning as early as fiscal 2027 because fewer unspent funds from the MSY Pathway Fund revert to the general fund each year (as they are transferred to the YA Pathway Fund instead). Thus, there is no net effect on the general fund.

Additional Comments: The fiscal 2026 budget, as passed by the General Assembly, includes a contingent reduction of \$6.8 million to the general fund appropriation for the Maryland Service Year Option Program (monies that capitalize the MSY Pathway Fund). This bill does not effectuate that contingent reduction; however, provisions in House Bill 352 (the Budget Reconciliation and Financing Act) do.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 248 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Service and Civic Innovation) - Education, Energy, and the Environment.

Information Source(s): Department of Service and Civic Innovation; Governor's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 20, 2025
rh/clb Revised - Correction - February 7, 2025
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Service and Civic Innovation - Maryland Corps Program Service Year Option Pathways - Revisions

BILL NUMBER: HB 33

PREPARED BY: Lisa Bishop, Acting CFO, Department of Service and Civic Innovation and Sarah Flammang, Deputy Secretary, Department of Service and Civic Innovation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill will have no economic impact on Maryland's Small Businesses.